



## Tax Incentives for Builders -- New Energy Efficient Homes

**A federal business tax credit is provided to qualified builders of new homes that meet certain building standards for energy efficiency. *These tax credits are provided by Section 1332 of the Energy Policy Act of 2005. Congress is considering new legislation (S.822 and H.R. 1385) that may extend and modify some of these credits.***

### What is covered?

- The tax credit applies to newly constructed, reconstructed or rehabilitated homes that are acquired by home owners through December 2008. It also applies to qualified energy-efficient manufactured homes. "Homes" include single family residences and multi-family residential structures of less than four stories.
- The home must be certified as having a level of heating and cooling at least 50% below the annual level of a comparable dwelling unit with the building envelope accounting for at least a 10% reduction.
- For some manufactured homes, the 50% requirement is reduced to 30%, or it does not apply if the home meets the requirements of the Energy Star Labeled Homes program.

### Maximum credit allowed

- The builder of any home that meets all the requirements is eligible for a \$2,000 credit. For qualified manufactured homes, the credit is \$1,000.

### How Now?

- The Tax Credit is claimed on a line on IRS Form 3800, "General Business Credit." Use IRS Form 8908 for calculating and reporting the amount of the credit. The Form and Instructions provide technical details on eligibility that are too detailed for this fact sheet.
- The IRS's Certification for Energy Efficient Home Credit describes how a home builder should go about certifying that a new home meets the requirements for a tax credit. The IRS's has also provided a similar notice for builders of Manufactured Homes.

## Take Note!

- If a separate tax credit is claimed for the purchase of energy-saving products that contribute to meeting the energy-saving requirements, then the \$2,000 or \$1,000 tax credit is reduced by the amount of those credits.

## For More Information

IRS Form 8908	<a href="http://www.irs.gov/pub/irs-pdf/f8908.pdf">http://www.irs.gov/pub/irs-pdf/f8908.pdf</a>
IRS Notice 2006-27 Certification of Energy Efficient Home Credit	<a href="http://www.irs.gov/pub/irs-drop/n-06-27.pdf">http://www.irs.gov/pub/irs-drop/n-06-27.pdf</a>
IRS Notice 2006-28 Energy Efficient Manufactured Home Credit	<a href="http://www.irs.gov/pub/irs-drop/n-06-28.pdf">http://www.irs.gov/pub/irs-drop/n-06-28.pdf</a>
Tax Incentives Building Project: New Homes	<a href="http://www.energystar.gov/builders/new_homes.php">http://www.energystar.gov/builders/new_homes.php</a>
RESNET Accredited Rating Providers	<a href="http://www.natresnet.org/programs/providers/directory.htm">http://www.natresnet.org/programs/providers/directory.htm</a>
EnergyStar®: Manufactured Homes	<a href="http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.pt_builder_manufactured">http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.pt_builder_manufactured</a>
IRS-Approved Software for Certification	<a href="http://www.irs.gov/businesses/small/industries/article/0,,id=155445,00.html">http://www.irs.gov/businesses/small/industries/article/0,,id=155445,00.html</a>
IRS Standards for Calculating Energy Savings	<a href="http://www.irs.gov/irb/2006-46_IRB/ar18.html">http://www.irs.gov/irb/2006-46_IRB/ar18.html</a>
DOE Building Technology Program	<a href="http://www.eere.energy.gov/buildings/building_america/">http://www.eere.energy.gov/buildings/building_america/</a>

*Disclaimer: This information is not intended to provide advice on legal interpretations of the law. This information should not be relied upon in taking or refraining from taking any action related to the topics covered. The best source of information is guidance provided by the Internal Revenue Service.*